

Bankers' man installed as PNG Prime Minister

Laura Mitchell
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A week of intense political drama culminated on Wednesday in the installation of Sir Mekere Morauta as Papua New Guinea's next Prime Minister. Morauta, an advocate of International Monetary Fund-ordered restructuring and austerity, was the candidate openly favoured by the government in Australia, PNG's former colonial ruler and largest single source of investment.

After extraordinary scenes of last minute deal-making and back-stabbing in and around PNG's parliament, Morauta's near-unanimous election by fellow MPs was received enthusiastically by the Australian media, the Howard government and business heads. According to the *Sydney Morning Herald*, "in boardrooms in Papua New Guinea, Melbourne and Sydney there were cheers" as news reached them of Morauta's appointment. "We are more than just a bit happy," the head of one major Australian company operating in PNG told the newspaper. "This is bloody marvellous."

In his parliamentary acceptance speech Morauta declared that "we have chosen order over chaos". He pledged to restore "productive relations" with the IMF and World Bank, which were broken off with the previous government of Bill Skate when it balked at draconian spending cuts. Morauta promised to "restore integrity" to the institutions of the state; restabilise the kina (currently at an all-time low of US 38 cents); "restore stability" to the national budget; remove obstacles to investment and growth, including a review of the tax system; and continue efforts to end the secessionist conflict on the mineral-rich island of Bougainville.

These are all key demands of the international financial markets, global investors and the Australian government. They require, above all, the further slashing of public services, jobs and wages. Significantly Morauta spoke of "restoring normal relations" with PNG's traditional allies, a clear reference to the recent rift with Australia and China provoked by Skate's recognition of Taiwan. By signalling the reversal of the Taiwan deal, reportedly worth \$4 billion to the outgoing government, Morauta indicated that he would return PNG firmly to the orbit of the Western banks

and Australian capitalism.

As another token of his allegiance, Morauta's acceptance speech emphasised the importance of the US oil giant Chevron's \$3.7 billion gas pipeline project, and senior company executives flew into Port Moresby on Thursday night for meetings with Morauta and the government.

Morauta's election by fellow MPs followed a final 24 hours of dramatic vote-switching, with rival coalitions locked in separate headquarters, all surrounded by police barricades. Only hours before the vote Advance PNG leader John Pundari had appeared set to win a parliamentary majority as Skate's nominee, but a series of mobile phone calls and shifting allegiances produced the result demanded by the Australian government and international markets.

Skate, facing a delayed no-confidence vote, stood down last week following his cash-for-recognition deal with Taiwan. The deal provoked public condemnation by the Chinese and Australian governments. The ensuing events underscored the tremendous instability of PNG politics and the colonial-style domination exercised by Australian capitalism over the country's domestic and foreign policy.

On Monday, when it appeared that Skate would cobble together a five-party coalition behind Pundari, the *Australian Financial Review*, published an article condemning PNG as "an international laughing stock" and denouncing Skate for his "inability to accept and live within the international norms of economic and political discipline". Its commentator, Geoffrey Barker said Skate's attempt to exercise continued influence through Pundari would condemn PNG to "continued decay and degradation". He declared that the election of Morauta was PNG's "last chance" to "lift the country out of the ranks of failing nations".

Amid the sordid negotiations between political groupings over the past week it was this message that exerted the greatest influence. In the end Morauta was elected by 99 votes to five, with even Skate crossing the parliamentary floor to join Morauta's camp. When explaining his decision not to challenge Morauta, Skate gave some indication of the

political pressure exerted on MPs to endorse Morauta's appointment. "I could have fought to hold the position," Skate said, "but instability caused by this infighting could have caused untold damage to the economy of this great nation".

PNG leaders feared a worsening of the country's economic crisis, one that has seen foreign direct investment levels decline by two thirds between 1997 and 1998, accompanied by huge outflows of private capital. Earlier this week fears over political uncertainty led one of PNG's largest companies, New Britain Palm Oil, to suspend a \$282 million float. According to the *Australian Financial Review*, investment had "almost totally dried up" in the two years since Skate came to power after the removal of his predecessor, Sir Julius Chan, in the Sandline mercenary affair.

The 53-year-old Morauta comes from a thin privileged layer and has a proven track record of serving the requirements of big business. He was an economics student at the University of PNG before working his way up through the public service to become Secretary of Finance between 1973 and 1982. He was a member of the so-called Gang of Four, senior public servants who implemented the formal transfer of political power from Australia to local politicians and bureaucrats in 1975.

For most of the 1980s Morauta was managing director of the PNG Banking Corporation, the country's largest bank, and served on the boards of numerous corporations. Between 1993 and 1996, he was Governor of PNG's Reserve Bank, before entering politics, designated as a likely future prime minister. Along the way he acquired considerable wealth, owned a fishing business with his Australian-born wife Lady Rosalyn, and invested in real estate in the north Australian state of Queensland.

In an editorial on Thursday welcoming Morauta's installation, Rupert Murdoch's the *Australian* literally gave the new prime minister his instructions:

"His government's priorities will be to bring stability to the kina, and restore investor confidence, by reviewing the tax system. International investors will be encouraged by his pledge to return to financial stability by pursuing negotiations for loans from the World Bank and International Monetary Fund. This demands PNG take tough action to get its economic house in order. That requires discipline and dedication in public administration, attributes that Sir Mekere showed in his role as PNG's central banker and in his administration of the fisheries portfolio under Mr Skate. It is the focus on economic reform that makes Sir Mekere most attractive to Australia's interests in PNG, a point not lost on [Australian] Foreign Minister Alexander

Downer, who welcomed his selection."

Yet the heavy mobilisation of police in Port Moresby this week shows that the entire political elite in PNG is acutely aware that their policies could trigger unrest among PNG's workers and urban and rural poor, creating a repeat of the social eruptions that accompanied the 1997 Sandline affair.

On Monday, police used force to disperse a crowd that had gathered outside Mirigini House, the Prime Minister's residence and offices—a fact not reported in the Australian media. As MPs assembled to elect a new PM, police snipers wearing bullet-proof vests surrounded parliament. Police roadblocks were established throughout Port Moresby's business district. Only at the end of the week could PNG's major daily say: "These changes took place without trouble and drama in the streets as feared by many."

American, Australian, British and other transnational corporations draw multi-million dollar profits from some of the world's most lucrative oil, gas, gold, copper and other mines in PNG, but unemployment and under-employment is worsening, living standards are falling, public facilities are deteriorating, and health and education indicators are among the poorest in the world.

Morauta's pledge to return "order" to PNG and the rapturous response of the Australian media and business leaders to his appointment is a warning that even more regressive conditions will be imposed upon the PNG workers and oppressed urban and rural poor, in order to boost corporate profit. In the context of the acute economic, social and political crisis gripping PNG one statement in the *Australian* on Thursday was chilling: "The events of the past 24-hours...go a long way towards refuting those who have claimed that Sir Mekere, having only entered parliament in 1997, lacks the killer-instinct needed to survive in PNG's deal-driven politics."



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